

# Market Weekly Review

Week ending **15 February 2015**

- Euro finance ministers seek Greek resolution
- Sweden's Riksbank takes repo rate into negative territory
- US data prints surprise on downside
- Disinflation in China
- Brent crude rises above \$60 a barrel

In Europe, politics dominated the agenda. The finance ministers of the euro area countries met in Brussels last week to discuss an extension of the existing Greek bailout, which expires on February 28. Syriza is firmly against an extension and is advocating a "bridge agreement" to be put in place while negotiations continue. A stand-off between the Greek Syriza party and the so-call Eurogroup ministers resulted in little progress, however, and focus has now shifted to today's follow-up meeting.

At the time of writing, Greek equities have fallen by circa 4% since opening with banks falling by circa 8% as investors exercise caution ahead of the negotiations. Alongside this debate, the European Central Bank (ECB) approved a further €5 billion in Emergency Lending Assistance (ELA) funds to Greece last week, as fears of a liquidity crisis mount.

The Financial Times reported that, according to one senior Athens banker, withdrawals from the country's banks now sits at circa 200-300 million euros a day.

The Swedish Riksbank became the first central bank to take its repo rate into negative territory last week, cutting the rate by 0.10 percentage points to -0.1%. It also announced its own programme of Quantitative Easing (QE) to align itself with the ECB. The Danish central bank has also been forced to act, with the Nationalbank having cut its main deposit rate four times this year. The rate is now at -0.75%, as the Danes seek to defend the krone's peg to the euro.

In the US, data prints were less encouraging than the strong jobs numbers of two weeks ago. US month-on-month retail sales fell by 0.8% in January (versus expectations of -0.4%), while the University of Michigan consumer sentiment index fell 4.5 points in February after seven months of consecutive rises. The index is still at its highest level since 2005, however. The data releases helped halt the rise of Treasury yields last week, and the greenback fell by 0.5% against a basket of major currencies.

In China, soft inflation data boosted hopes of further easing by the authorities, following a recent cut to banks' Reserve Requirement Ratios (RRRs). The latest Consumer Price Index (CPI) data print read +0.8% year-on-year, versus expectations of a +1.0%, and below December's +1.5% reading.

The latest GDP data from Japan confirms that the world's third largest economy moved out of recession in the fourth quarter of 2014, although growth continues to disappoint. The Japanese economy grew by 2.2% on an annualised basis, with quarter-on-quarter growth at 0.6%. Expectations, however, were significantly higher at +3.7% and +0.9%, respectively. Private consumption rose by a mere 0.3% quarter-on-quarter (versus forecasts of +0.8%), but exports were boosted by a weakened yen, which has now fallen by 14.3% against the US dollar over the past 12 months.

Brent crude oil traded above \$60 a barrel for the first time since December last year, as the Baker Hughes rig count survey showed another drop in operating rigs last week (98 rigs came offline in the US). The total number of operating rigs in the US has now fallen to 1,358 with 406 rigs coming offline since this time last year. The commodity returned 6.4% last week and year-to-date it has returned 7.3%.

Asset Class/Region	Currency	Currency returns			
		Week ending 13 Feb. 2015	Month to date	YTD 2015	12 months
<b>Developed Market Equities</b>					
United States	USD	2.1%	5.2%	2.0%	16.3%
United Kingdom	GBP	0.4%	2.0%	4.8%	6.6%
Continental Europe	EUR	1.1%	2.4%	10.4%	15.8%
Japan	JPY	2.3%	2.4%	3.0%	23.3%
Asia Pacific (ex Japan)	USD	0.3%	2.0%	3.5%	10.1%
Australia	AUD	1.1%	5.2%	8.7%	15.7%
Global	USD	1.9%	4.5%	2.6%	8.7%
<b>Emerging Market Equities</b>					
Emerging Europe	USD	6.6%	12.5%	8.5%	-19.6%
Emerging Asia	USD	0.4%	1.4%	3.8%	14.0%
Emerging Latin America	USD	1.4%	3.9%	-2.5%	-6.7%
BRICs	USD	2.1%	3.5%	4.7%	9.5%
MENA countries	USD	0.4%	3.6%	5.8%	2.7%
South Africa	USD	-1.2%	1.8%	6.5%	21.6%
India	USD	1.5%	-0.1%	8.3%	48.6%
Global emerging markets	USD	0.9%	2.7%	3.3%	6.9%
<b>Bonds</b>					
US Treasuries	USD	-0.4%	-2.0%	0.9%	5.4%
US Treasuries (inflation protected)	USD	-1.1%	-2.5%	0.7%	3.0%
US Corporate (investment grade)	USD	-0.4%	-1.7%	1.3%	6.7%
US High Yield	USD	0.2%	1.2%	1.9%	2.9%
UK Gilts	GBP	-0.8%	-3.6%	1.7%	14.2%
UK Corporate (investment grade)	GBP	-0.3%	-2.1%	2.5%	13.0%
Euro Government Bonds	EUR	0.1%	0.0%	2.3%	13.3%
Euro Corporate (investment grade)	EUR	0.2%	0.3%	1.2%	8.0%
Euro High Yield	EUR	0.4%	0.8%	1.8%	6.1%
Japanese Government	JPY	-0.9%	-1.2%	-1.2%	2.5%
Australian Government	AUD	-0.1%	-0.1%	2.0%	12.9%
Global Government Bonds	USD	-0.1%	-1.1%	-0.8%	-2.1%
Global Bonds	USD	0.0%	-0.6%	-1.0%	-1.8%
Global Convertible Bonds	USD	0.9%	2.1%	1.2%	-1.6%
Emerging Market Bonds	USD	0.1%	0.5%	1.1%	7.6%

\* Estimate

Source: Bloomberg

Asset Class/Region	Currency	Currency returns			
		Week ending 13 Feb. 2015	Month to date	YTD 2015	12 months
<b>Property</b>					
US Property Securities	USD	-0.2%	-1.7%	4.9%	26.4%
Australian Property Securities	AUD	0.1%	4.6%	12.7%	32.4%
Asia Property Securities	USD	0.5%	1.6%	3.5%	10.1%
Global Property Securities	USD	0.3%	-0.6%	4.8%	17.6%
<b>Currencies</b>					
Euro	USD	0.7%	0.9%	-5.8%	-16.7%
UK Pound Sterling	USD	0.9%	2.2%	-1.3%	-7.7%
Japanese Yen	USD	1.2%	-1.2%	1.2%	-14.3%
Australian Dollar	USD	-0.4%	0.0%	-5.0%	-13.5%
South African Rand	USD	-1.4%	-0.1%	-0.8%	-6.0%
Swiss Franc	USD	-0.6%	-1.5%	6.6%	-4.2%
Chinese Yuan	USD	0.0%	0.2%	-0.6%	-2.9%
<b>Commodities &amp; Alternatives</b>					
Commodities	USD	2.1%	5.5%	-0.2%	-23.8%
Agricultural Commodities	USD	1.1%	3.2%	-3.6%	-12.5%
Oil	USD	6.4%	16.1%	7.3%	-43.4%
Gold	USD	-0.4%	-4.2%	3.8%	-5.6%
Hedge funds	USD	0.2%	0.8%	0.6%	-0.3%

\* Estimate

Source: Bloomberg

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